

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
CENTRAL CITY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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CENTRAL CITY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Kirk Hayes	President	2004
David Goodlove	Vice President	2003
Sue Pillard	Board Member	2005
Jara Pavlis	Board Member	2003
Teresa Uhlenkamp	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Kirk Hayes	President	2004
David Goodlove	Vice President	2006
Sue Pillard	Board Member	2005
Jara Pavlis	Board Member	2006
Teresa Uhlenkamp	Board Member	2005
<u>School Officials</u>		
William Mertens	Superintendent	2004
Karla Hogan	District Secretary/Treasurer	2004
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Central City Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Central City Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004 on our consideration of Central City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 16 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2001 (none of which are presented herein) were audited by other auditors whose report expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 17, 2004

Management's Discussion and Analysis

This section of the Central City Community School District's Audit Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years, comparison to prior year data will be provided for all key financial information.

Financial Highlights

- The State of Iowa allowed a 2% growth for the 2003–2004 school year.
- The General Fund ending fund balance increased from \$339,941 in fiscal year 2003 to \$572,948 in fiscal year 2004. This equates to a 14.70 % solvency ratio.
- The increase in General Fund revenue was attributable to an increase in property tax, and state and federal grant revenue in fiscal year 2004 and a decrease in expenditures of \$156,537 compared to fiscal year 2003.

Overview of Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on the *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates *like businesses*, such as food service, childcare and Pre-Kindergarten.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

**Central City Community School District
Annual Financial Report**

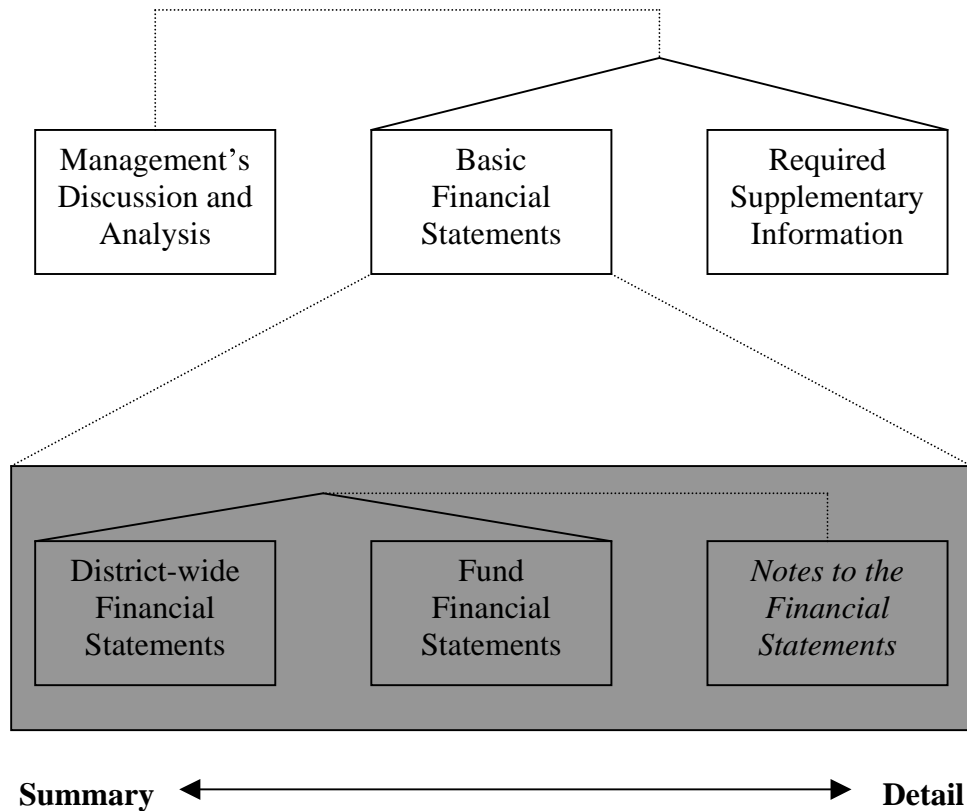


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Financial Statements

Figure A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying long term-debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide

statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets are an indicator of the fiscal health of the District. The District's net assets were \$1,405,471 at June 30, 2004 evidenced below in Figure A-3. Due to the District's implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for this fiscal year, data from the preceding fiscal year has not been included. A comparative analysis of government-wide data will be presented in future years when the information becomes available.

Figure A-3

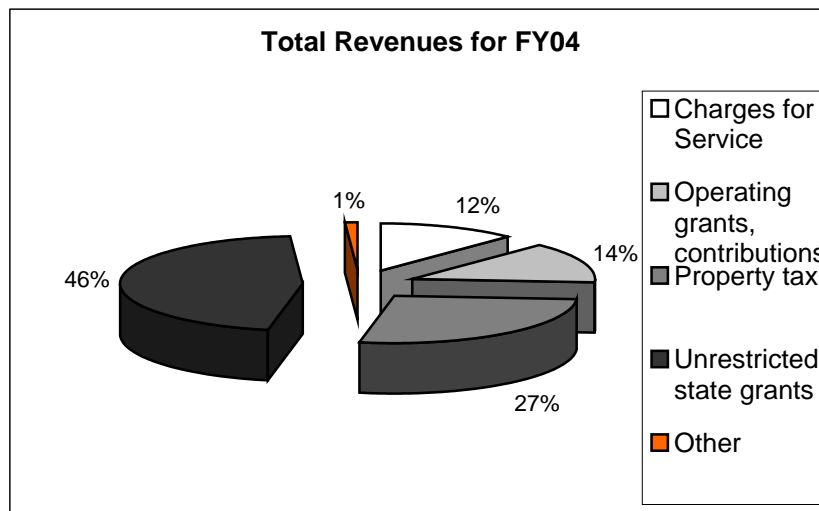
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Current and other assets	3,180,701	40,574	3,221,275
Capital assets	768,269	782,577	1,550,846
Total Assets	3,948,970	823,151	4,772,121
Long-term obligations	50,419	789,809	840,228
Other liabilities	2,483,409	43,013	2,526,422
Total Liabilities	2,533,828	832,822	3,366,650
Net assets:			
Investment in capital assets, net of related debt	717,850	(7,232)	710,618
Restricted	175,448	0	175,448
Unrestricted	521,844	(2,439)	519,405
Total Net Assets	1,415,142	(9,671)	1,405,471

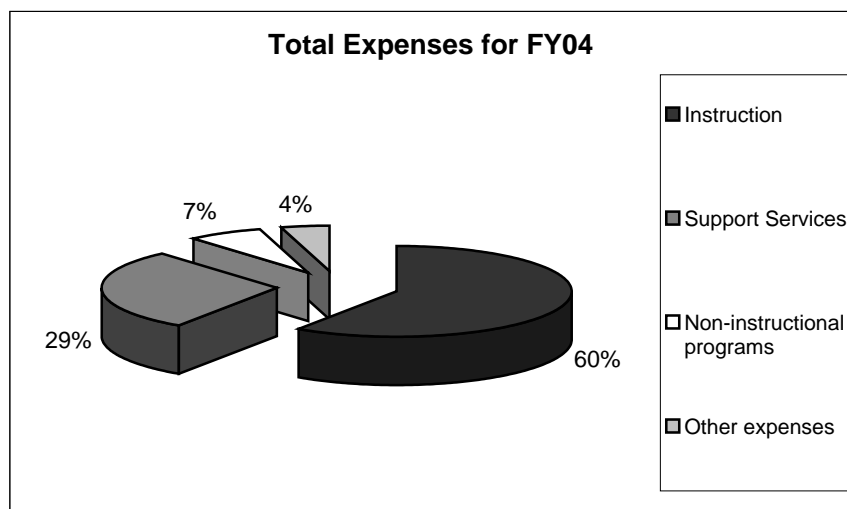
Investment in capital assets (e.g. land, buildings, furniture and equipment) less any outstanding debt used to acquire those assets is \$710,618. These assets are not available for future spending since they are being used to provide services to our students. The resources needed to pay the debt related to these capital assets must be provided from other resources. Approximately \$175,448 of net assets reflect amounts with external restrictions to which the funds can be used. The remaining balance of \$519,405 represents the unrestricted net assets, which may be used to meet the ongoing obligations of the District. This surplus is not an indication that the District has plenty of resources to meet next year's financial obligations but rather that the District has current assets that cover all the long-term commitments.

Figure A-4 below reflects the changes in net assets for the year ended June 30, 2004.

Figure A-4 Changes in Net Assets			
	Governmental Activities	Business-type Activities	Total School District
Revenues:			
Program Revenues:			
Charges for Service	345,134	169,812	514,946
Operating grants and contributions and restricted interest	501,831	95,215	597,046
Capital grants and contributions and restricted interest	0	0	0
General Revenues:			
Property tax	1,139,440	0	1,139,440
Unrestricted state grants	1,943,539	0	1,943,539
Other	52,288	63	52,351
Total Revenues	<u>3,982,232</u>	<u>265,090</u>	<u>4,247,322</u>
Program Expenses:			
Governmental activities:			
Instruction	2,400,269	0	2,400,269
Support Services	1,176,119	0	1,176,119
Non-instructional programs	0	277,746	277,746
Other expenses	176,517	0	176,517
Total Expenses	<u>3,752,905</u>	<u>277,746</u>	<u>4,030,651</u>
Changes in net assets	<u>229,327</u>	<u>(12,656)</u>	<u>216,671</u>



The chart at the left shows that property tax and unrestricted state grants equates to 73% of the District's total revenue. Of the remaining 27%, 14% is from operating grants and contributions and restricted interest.



The chart to the left represents the District's total expenses for the fiscal year 2003-2004. Instruction and support services account for 89% of the District's expenses.

As this is the first year of implementation under the GASB 34 reporting model, prior data is not readily available to prove a more complete analysis. In future years, we will provide comparative data to explain in more detail any changes in assets, liabilities and net assets from one year to the next.

Governmental Activities

Revenues for governmental activities were \$3,982,232 and expenses were \$3,752,905. This left a net change in assets of \$229,327. Of the \$229,327, \$61,838 was due to management's plan to decrease the Physical Plant and Equipment Levy Fund deficit. There was also a decrease in the Management Levy Fund of \$68,851, due to a management decision not to levy for this fund in the past few years. The remaining net change in assets was due to increased revenue and decreased expenses compared to fiscal year 2003.

The cost of three District activities: Instruction, Support Services and Other Expenses are explained below. The *net cost* (total costs less fees generated by the activities and intergovernmental aid provided for specific programs) was \$2.91 million. The net cost shows the financial burden placed on District and state taxpayers.

In the future, a two-year comparison will be provided.

- The cost of all governmental activities this year was \$3.7 million.
- Some of the cost was financed by the users of the District's programs, (\$345,134).
- The federal and state governments subsidized certain programs with grants and contributions, (\$501,831).
- Most of the District's costs (\$2.91 million) were financed by District and state taxpayers.
- This portion of governmental activities was financed primarily with \$1.14 million in property taxes and \$1.94 million in unrestricted state aid based in large part on the statewide education aid formula.

Business-Type Activities

Revenues of the District's business-type activities were \$265,090 while expenses were \$277,746. (Refer to Figure A-4.) At the present time, the three funds that comprise the business-type activities are School Nutrition Fund, Pre-Kindergarten Fund and ABC Childcare Fund. The revenues in the School Nutrition Fund can be broken down into two main categories: charges for services and federal/state reimbursements. The ABC Childcare Fund and Pre-Kindergarten Fund revenues are totally from charges for services. The ABC Childcare also received a startup grant from the City of Central City in the amount of \$30,000 and \$1,057 in donations.

During the year ended June 30, 2004, the District's net assets decreased in the business-type activities by \$12,656.

- School nutrition revenues exceeded expenses by \$8,655. The school nutrition fund had operated in a deficit for several years prior and management diligently tried to reverse this trend.
- ABC Childcare operating expenses exceeded operating revenues by \$52,462. The ABC Childcare Fund had a net asset deficit balance of \$21,405 on June 30, 2004. This was expected due to the Childcare opening in the middle of the school year.
- The Pre-Kindergarten Fund was only used 6 months of the year, until the opening of the Childcare, at which time the Pre-Kindergarten program was included in the ABC Childcare Fund.

Financial Analysis of the District's Funds

At the end of fiscal year ended June 30, 2004, the District's governmental funds reported combined ending fund balances of \$699,215, an increase of \$237,147 in comparison with the prior year. Most significantly, the General Fund balance increased by \$233,007 in fiscal year 2004. Another governmental fund that had an increase in fund balance was the Physical Plant and Equipment Levy Fund, which increased \$61,514. This decreased the PPEL Fund deficit to \$27,225, management is attentive in bringing our balance out of a deficit

The governmental fund that had a reduction in the fund balance was the Management Levy Fund; its fund balance dropped from \$133,835 to \$64,984. This decline was due to a management decision not to levy taxes in this fund during the current year.

The District's business-type activities changed mostly due to the opening of the ABC Childcare enterprise fund during the current year. It is difficult to analyze the financial situation of the ABC Childcare Fund due to its opening late in the school year. The next year will provide a better comparison of net assets. The School Nutrition Fund was able to realize \$8,655 more in revenues than expenses, which will help with the additional cost of the new cafeteria, scheduled to open in the 2006 – 2007 school year.

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared according to cash basis accounting. Over the course of the year, the District amended its annual operating budget one time to reflect higher than expected costs associated with a grant and long-term debt. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 50 and 51.

Legal Budgetary Highlights

The District's total actual revenues were \$182,681 less than the total budgeted revenues, a variance of 4.1%. The most significant change resulted in the District receiving less from state sources than originally anticipated.

Total expenditures were less than budgeted by \$603,470, due primarily to the District's budget for the General Fund. It is the District's practice to budget the expenditures closer to the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset Administration

The District's investments in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$1,550,846 (net of accumulated depreciation). This investment in capital assets included land, buildings, vehicles and equipment (See Figure A-6). This amount represents a net increase of \$728,226 or 49.08% from last year.

The biggest change in comparing fiscal year 2004 with the previous year is in the buildings category. The significant increase in buildings is due to the addition of the ABC Childcare facility.

Figure A-6
CAPITAL ASSETS, NET OF DEPRECIATION
(EXPRESSED IN THOUSANDS)

	Governmental Activities		Business- Type Activities		Total School District		Total Change
	2003	2004	2003	2004	2003	2004	2003- 2004
Land	\$ 69	\$ 69	-	-	\$ 69	\$ 69	0.00%
Buildings	536	532	-	\$774	536	1,306	143.66%
Furniture/Equipment	206	167	12	9	218	176	-19.27%
Totals	\$811	\$768	12	\$783	\$823	\$1,551	88.46%

Long-Term Liabilities

At year-end, the District had no general obligation bonds outstanding and \$50,419 in other long-term liabilities outstanding. This represents a decrease of \$33,615 over the previous fiscal year as can be seen on page 45.

Factors Bearing on the District's Future

At the time of these financial statements were prepared and audited, the District is aware of two existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment has remained steady for the past couple of years. However, the possibility of declining enrollment will affect the district's budgetary abilities, and could result in lower revenues from state funding.

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced level of state aid funding for public education in the past. Future increases in state aid to schools, (allowable growth) will be contingent upon the condition of the state and national economy. At this time a 2% allowable growth for 2004 – 2005 and a 4% allowable growth for 2005 – 2006 will help to adequately fund our programs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Karla Hogan, Central City Community School District, 400 Barber Street, Central City, Iowa 52214.

Basic Financial Statements

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 978,710	\$ 24,812	\$ 1,003,522
Receivables:			
Property tax:			
Current year	22,643	-	22,643
Succeeding year	1,059,802	-	1,059,802
Accounts	7,162	9,127	16,289
Due from other governments	12,997	-	12,997
Inventories	-	6,635	6,635
Restricted ISCAP assets (note 5):			
Investments	1,097,404	-	1,097,404
Accrued interest receivable	1,983	-	1,983
Capital assets, net of accumulated depreciation (note 6)	768,269	782,577	1,550,846
Total assets	3,948,970	823,151	4,772,121
Liabilities			
Accounts payable	8,183	972	9,155
Salaries and benefits payable	319,478	25,376	344,854
Accrued interest payable	1,923	14,626	16,549
ISCAP warrants payable (note 5)	1,091,000	-	1,091,000
ISCAP accrued interest payable (note 5)	3,023	-	3,023
Deferred revenue:			
Succeeding year property tax	1,059,802	-	1,059,802
Other	-	2,039	2,039
Long-term liabilities (note 7):			
Portion due within one year:			
Capital lease purchase agreement	24,672	2,891	27,563
Portion due after one year:			
Capital lease purchase agreement	25,747	786,918	812,665
Total liabilities	2,533,828	832,822	3,366,650

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 717,850	\$ (7,232)	\$ 710,618
Restricted for:			
Phase III	4,579	-	4,579
State grants	17,377	-	17,377
Management levy	64,984	-	64,984
Other special revenue purposes	88,508	-	88,508
Unrestricted	521,844	(2,439)	519,405
Total net assets	\$ <u>1,415,142</u>	\$ <u>(9,671)</u>	\$ <u>1,405,471</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Instruction:					
Regular instruction	\$ 1,535,061	\$ 137,541	\$ 245,888	\$ -	
Special instruction	543,154	77,421	77,607	-	
Other instruction	322,054	129,422	30,879	-	
	<u>2,400,269</u>	<u>344,384</u>	<u>354,374</u>	<u>-</u>	
Support services:					
Student services	126,155	-	-	-	
Instructional staff services	117,756	-	-	-	
Administration services	524,695	-	-	-	
Operation and maintenance of plant services	252,196	750	-	-	
Transportation services	155,317	-	909	-	
	<u>1,176,119</u>	<u>750</u>	<u>909</u>	<u>-</u>	
Other expenditures:					
Long-term debt interest and fiscal charges	2,330	-	-	-	
AEA flowthrough	146,548	-	146,548	-	
Depreciation (unallocated) *	27,639	-	-	-	
	<u>176,517</u>	<u>-</u>	<u>146,548</u>	<u>-</u>	
Total governmental activities	3,752,905	345,134	501,831	-	
Business-Type Activities:					
Non-instructional programs:					
Food service operations	150,932	95,366	64,158	-	
Daycare operations	111,457	58,995	31,057	-	
Other programs	15,357	15,451	-	-	
Total business-type activities	<u>277,746</u>	<u>169,812</u>	<u>95,215</u>	<u>-</u>	
Total	\$ 4,030,651	\$ 514,946	\$ 597,046	\$ -	

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,151,632)	\$ -	\$ (1,151,632)
(388,126)	-	(388,126)
(161,753)	-	(161,753)
<u>(1,701,511)</u>	<u>-</u>	<u>(1,701,511)</u>
(126,155)	-	(126,155)
(117,756)	-	(117,756)
(524,695)	-	(524,695)
(251,446)	-	(251,446)
(154,408)	-	(154,408)
<u>(1,174,460)</u>	<u>-</u>	<u>(1,174,460)</u>
(2,330)	-	(2,330)
-	-	-
(27,639)	-	(27,639)
<u>(29,969)</u>	<u>-</u>	<u>(29,969)</u>
(2,905,940)	-	(2,905,940)
-	8,592	8,592
-	(21,405)	(21,405)
-	94	94
<u>-</u>	<u>(12,719)</u>	<u>(12,719)</u>
(2,905,940)	(12,719)	(2,918,659)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 12)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 1,051,340	\$ -	\$ 1,051,340
88,100	-	88,100
1,943,539	-	1,943,539
11,216	63	11,279
41,072	-	41,072
<hr/>		
3,135,267	63	3,135,330
<hr/>		
229,327	(12,656)	216,671
<hr/>		
1,185,815	2,985	1,188,800
<hr/>		
\$ <u>1,415,142</u>	\$ <u>(9,671)</u>	\$ <u>1,405,471</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Funds</u>	<u>Funds</u>
Assets			
Cash and pooled investments	\$ 824,535	\$ 154,175	\$ 978,710
Receivables:			
Property tax:			
Current year	20,963	1,680	22,643
Succeeding year	955,382	104,420	1,059,802
Interfund receivable (note 4)	28,905	-	28,905
Accounts	7,162	-	7,162
Due from other governments	12,997	-	12,997
Restricted ISCAP assets (note 5):			
Investments	1,097,404	-	1,097,404
Accrued interest receivable	1,983	-	1,983
	<u>2,949,331</u>	<u>260,275</u>	<u>3,209,606</u>
Total assets	\$ <u>2,949,331</u>	\$ <u>260,275</u>	\$ <u>3,209,606</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,500	\$ 683	\$ 8,183
Salaries and benefits payable	319,478	-	319,478
Interfund payable (note 4)	-	28,905	28,905
ISCAP warrants payable (note 5)	1,091,000	-	1,091,000
ISCAP accrued interest payable (note 5)	3,023	-	3,023
Deferred revenue:			
Succeeding year property tax	955,382	104,420	1,059,802
Total liabilities	<u>2,376,383</u>	<u>134,008</u>	<u>2,510,391</u>
Fund balance:			
Reserved for:			
Phase III	4,579	-	4,579
State grants	17,377	-	17,377
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	126,267	126,267
Undesignated	550,992	-	550,992
Total fund balances	<u>572,948</u>	<u>126,267</u>	<u>699,215</u>
Total liabilities and fund balances	\$ <u>2,949,331</u>	\$ <u>260,275</u>	\$ <u>3,209,606</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 699,215
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	768,269
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,923)
Long-term liabilities, including capital lease purchase agreements, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(50,419)</u>
Net assets of governmental activities	<u><u>\$ 1,415,142</u></u>
See notes to financial statements	

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,051,340	\$ 88,100	\$ 1,139,440
Tuition	150,333	-	150,333
Other	99,515	140,105	239,620
Intermediate sources	13,206	-	13,206
State sources	2,279,041	-	2,279,041
Federal sources	153,028	-	153,028
Total revenues	<u>3,746,463</u>	<u>228,205</u>	<u>3,974,668</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,532,985	10,765	1,543,750
Special instruction	543,154	-	543,154
Other instruction	188,331	128,628	316,959
	<u>2,264,470</u>	<u>139,393</u>	<u>2,403,863</u>
Support services:			
Student services	126,155	-	126,155
Instructional staff services	117,756	-	117,756
Administration services	456,386	58,086	514,472
Operation and maintenance of plant services	252,564	1,633	254,197
Transportation services	122,707	-	122,707
	<u>1,075,568</u>	<u>59,719</u>	<u>1,135,287</u>
Other expenditures:			
Facilities acquisition	-	24,953	24,953
Long term debt:			
Principal	-	23,615	23,615
Interest and fiscal charges	-	3,255	3,255
AEA flowthrough	146,548	-	146,548
	<u>146,548</u>	<u>51,823</u>	<u>198,371</u>
Total expenditures	<u>3,486,586</u>	<u>250,935</u>	<u>3,737,521</u>
Excess (deficiency) of revenues over (under) expenditures	<u>259,877</u>	<u>(22,730)</u>	<u>237,147</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):			
Interfund transfers in	\$ -	\$ 26,870	\$ 26,870
Interfund transfers out	(26,870)	-	(26,870)
Total other financing sources (uses)	<u>(26,870)</u>	<u>26,870</u>	<u>-</u>
Net change in fund balances	233,007	4,140	237,147
Fund balances beginning of year	<u>339,941</u>	<u>122,127</u>	<u>462,068</u>
Fund balances end of year	<u>\$ 572,948</u>	<u>\$ 126,267</u>	<u>\$ 699,215</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 237,147

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 40,765	
Depreciation expense	<u>(83,125)</u>	(42,360)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 23,615

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 925

Some expenses, such as early retirement, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 10,000

Change in net assets of governmental activities \$ 229,327

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	ABC Childcare	Nonmajor Enterprise Funds	Total
Assets			
Cash and cash equivalents	\$ 18,754	\$ 6,058	\$ 24,812
Accounts receivable	6,916	2,211	9,127
Inventories	-	6,635	6,635
Capital assets, net of accumulated depreciation (note 6)	774,013	8,564	782,577
Total assets	<u>799,683</u>	<u>23,468</u>	<u>823,151</u>
Liabilities			
Accounts payable	972	-	972
Salaries and benefits payable	15,353	10,023	25,376
Accrued interest payable	14,626	-	14,626
Deferred revenue	328	1,711	2,039
Long-term liabilities (note 7):			
Portion due within one year:			
Capital lease purchase agreement	2,891	-	2,891
Portion due after one year:			
Capital lease purchase agreement	786,918	-	786,918
Total liabilities	<u>821,088</u>	<u>11,734</u>	<u>832,822</u>
Net Assets			
Invested in capital assets, net of related debt	(15,796)	8,564	(7,232)
Unrestricted	<u>(5,609)</u>	<u>3,170</u>	<u>(2,439)</u>
Total net assets	<u>\$ (21,405)</u>	<u>\$ 11,734</u>	<u>\$ (9,671)</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	ABC Childcare	Nonmajor Enterprise Funds	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 58,995	\$ 110,817	\$ 169,812
Operating expenses:			
Non-instructional programs:			
Food and community service operations:			
Salaries	56,063	72,012	128,075
Benefits	7,427	6,825	14,252
Purchased services	2,822	413	3,235
Supplies	14,723	81,775	96,498
Interest	14,626	-	14,626
Depreciation	15,796	3,427	19,223
Other	-	1,837	1,837
	<u>111,457</u>	<u>166,289</u>	<u>277,746</u>
Operating loss	<u>(52,462)</u>	<u>(55,472)</u>	<u>(107,934)</u>
Non-operating revenues:			
Interest on investments	-	63	63
Contributions	31,057	-	31,057
State sources	-	2,423	2,423
Federal sources	-	61,735	61,735
Total non-operating revenues	<u>31,057</u>	<u>64,221</u>	<u>95,278</u>
Change in net assets	(21,405)	8,749	(12,656)
Net assets beginning of year	<u>-</u>	<u>2,985</u>	<u>2,985</u>
Net assets end of year	<u>\$ (21,405)</u>	<u>\$ 11,734</u>	<u>\$ (9,671)</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	ABC Childcare	Nonmajor Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	\$ 91,774	\$ 91,774
Cash received from miscellaneous operating activities	52,407	18,543	70,950
Cash payments to employees for services	(48,137)	(87,920)	(136,057)
Cash payments to suppliers for goods or services	(16,573)	(71,264)	(87,837)
Net cash used in operating activities	(12,303)	(48,867)	(61,170)
Cash flows from non-capital financing activities:			
Contributions received	31,057	-	31,057
State grants received	-	2,423	2,423
Federal grants received	-	49,424	49,424
Net cash provided by non-capital financing activities	31,057	51,847	82,904
Cash flows from investing activities:			
Interest on investments	-	63	63
Net increase in cash and cash equivalents	18,754	3,043	21,797
Cash and cash equivalents beginning of year	-	3,015	3,015
Cash and cash equivalents end of year	\$ 18,754	\$ 6,058	\$ 24,812

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	ABC Childcare	Nonmajor Enterprise Funds	Total
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (52,462)	\$ (55,472)	\$ (107,934)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	15,796	3,427	19,223
Commodities used	-	12,311	12,311
(Increase) in accounts receivable	(6,916)	(2,211)	(9,127)
Decrease in inventories	-	450	450
Increase in accounts payable	972	-	972
Increase in salaries and benefits payable	15,353	130	15,483
Increase in accrued interest payable	14,626	-	14,626
(Decrease) in interfund payable	-	(9,213)	(9,213)
Increase in deferred revenue	328	1,711	2,039
Net cash used in operating activities	\$ <u>(12,303)</u>	\$ <u>(48,867)</u>	\$ <u>(61,170)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$12,311 of federal commodities.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ <u>58,932</u>
Liabilities	
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>58,932</u></u>
See notes to financial statements.	

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>1,873</u>
Deductions:	
Support services:	
Scholarships awarded	<u>50</u>
Change in net assets	1,823
Net assets beginning of year	<u>57,109</u>
Net assets end of year	\$ <u><u>58,932</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Central City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Central City, Iowa, portions of the Cities of Prairieburg, Waubeek, and Paris, Iowa, and the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central City Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Central City Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following major proprietary fund:

The Enterprise, ABC Childcare Fund is used to account for the daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent these transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities and business-type activities columns in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were not entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. \$144,079 of District funds were not covered at year end at City State Bank.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ <u>26,870</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

At June 30, 2004 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pooled Cash Balances:		
General	Special Revenue - PPEL	\$ <u>28,905</u>

To the extent that cash expenditures have been made in one fund legally restricted to make those expenditures prior to the collection of anticipated tax revenues, the District has temporary financing between funds.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/30/2004	1/28/2005	\$ 355,404	\$ 1,933	\$ 353,000	\$ 2,961
2004-05A	6/30/2004	6/30/2005	742,000	50	738,000	62
Total			\$ <u>1,097,404</u>	\$ <u>1,983</u>	\$ <u>1,091,000</u>	\$ <u>3,023</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.000%	1.050%
2003-04B	2.000%	1.392%
2004-05A	3.000%	2.463%

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 69,000	\$ -	\$ -	\$ 69,000
Capital assets being depreciated:				
Buildings	1,514,069	23,896	-	1,537,965
Furniture and equipment	816,025 *	16,869	31,381	801,513
Total capital assets being depreciated	2,330,094	40,765	31,381	2,339,478
Less accumulated depreciation for:				
Buildings	977,971	27,639	-	1,005,610
Furniture and equipment	610,494	55,486	31,381	634,599
Total accumulated depreciation	1,588,465	83,125	31,381	1,640,209
Total capital assets being depreciated, net	741,629	(42,360)	-	699,269
Governmental activities capital assets, net	\$ 810,629	\$ (42,360)	\$ -	\$ 768,269

* = In preparation for implementing Governmental Accounting Standards Board Statement No. 34, the District has increased its capitalization limit to \$25,000 for improvements other than buildings and \$2,500 for all other asset classes. This change resulted in the following adjustments to beginning balances: improvements other than buildings decreased by \$226,220 and furniture and equipment decreased by \$591,732.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ -	\$ 789,809	\$ -	\$ 789,809
Furniture and equipment	38,671	-	3,620	35,051
Total capital assets being depreciated	38,671	789,809	3,620	824,860
Less accumulated depreciation for:				
Buildings	-	15,796	-	15,796
Furniture and equipment	26,680	3,427	3,620	26,487
Total accumulated depreciation	26,680	19,223	3,620	42,283
Business-type activities capital assets, net	\$ 11,991	\$ 770,586	\$ -	\$ 782,577

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 7,558
Other	5,095
Support services:	
Administration	10,223
Transportation	32,610
	55,486
Unallocated depreciation	27,639
Total governmental activities depreciation expense	\$ 83,125
Business-type activities:	
Food service operations	\$ 3,427
Daycare operations	15,796
Total business-type activities depreciation expense	\$ 19,223

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2004 is as follows:

	Early Retirement	Capital Lease Purchase Agreement	Total
Balance beginning of year	\$ 10,000	\$ 74,034	\$ 84,034
Additions	-	-	-
Reductions	10,000	23,615	33,615
Balance end of year	\$ -	\$ 50,419	\$ 50,419
Due within one year	\$ -	\$ 24,672	\$ 24,672

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$10,000. Early retirement benefits paid during the year ended June 30, 2004, totaled \$10,000. The District has no early retirement liability at June 30, 2004.

Capital Lease Purchase Agreement

During the year ended June 30, 2003, the District entered into an agreement for the lease purchase of two school buses.

Details of the District's capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	4.36 %	\$ 24,672	\$ 2,198	\$ 26,870
2006	4.36	25,747	1,123	26,870
Total		\$ 50,419	\$ 3,321	\$ 53,740

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Capital Lease Purchase Agreement</u>
Balance beginning of year	\$ -
Additions	789,809
Reductions	<u>-</u>
Balance end of year	\$ <u>789,809</u>
Due within one year	\$ <u>2,891</u>

Capital Lease Purchase Agreement

During the year ended June 30, 2004, the District entered into an agreement with the City of Central City for the lease purchase of the daycare building.

Details of the District's capital lease purchase agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4.25-4.50 %	\$ 2,891	\$ 46,532	\$ 49,423
2006	4.25-4.50	8,438	34,522	42,960
2007	4.25-4.50	8,818	34,142	42,960
2008	4.25-4.50	9,121	33,839	42,960
2009	4.25-4.50	9,624	33,336	42,960
2010-2043	4.25-4.50	<u>750,917</u>	<u>687,781</u>	<u>1,438,698</u>
Total		\$ <u>789,809</u>	\$ <u>870,152</u>	\$ <u>1,659,961</u>

The agreement is subject to the following provisions:

- 1) Any excess net revenues after payment of normal operating expenditures and capital lease payments are to be first applied to a use payment reserve account until \$42,960 has been accumulated in the account.
- 2) The source of payment is limited to revenues generated by the day care facility and do not constitute a general obligation of the school district in any other manner.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$121,949, \$121,946, and \$116,351 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Central City Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$146,548 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Balances

The District had an unreserved, undesignated fund deficit in the Special Revenue, Physical Plant and Equipment Levy Fund of \$27,225 and a net assets deficit in the Enterprise, ABC Childcare Fund of \$21,405 at June 30, 2004. The Special Revenue, Student Activity Fund also had several deficit accounts at June 30, 2004.

Note 12. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 12. Accounting Change (continued)

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District’s programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Fund</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ <u>339,941</u>	\$ <u>122,127</u>	\$ 462,068
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,588,465			810,629
Long-term liabilities:			
Early retirement		10,000	
Capital lease purchase agreement		<u>74,034</u>	(84,034)
Accrued interest payable			<u>(2,848)</u>
Net assets, July 1, 2003, as restated			\$ <u>1,185,815</u>

Required Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 1,530,416	\$ 193,844	\$ 1,724,260	\$ 1,810,523	\$ 1,810,523	\$ (86,263)
Intermediate sources	19,076	-	19,076	11,000	11,000	8,076
State sources	2,278,646	2,423	2,281,069	2,396,584	2,396,584	(115,515)
Federal sources	143,286	61,735	205,021	194,000	194,000	11,021
Total receipts	3,971,424	258,002	4,229,426	4,412,107	4,412,107	(182,681)
DISBURSEMENTS:						
Instruction	2,429,378	-	2,429,378	2,684,000	2,684,000	254,622
Support services	1,166,653	-	1,166,653	1,353,500	1,353,500	186,847
Non-instructional programs	-	236,205	236,205	369,500	369,500	133,295
Other expenditures	198,371	-	198,371	197,077	227,077	28,706
Total disbursements	3,794,402	236,205	4,030,607	4,604,077	4,634,077	603,470
Excess (deficiency) of receipts over (under) disbursements	177,022	21,797	198,819	(191,970)	(221,970)	420,789
Balance beginning of year	801,688	3,015	804,703	656,692	656,692	148,011
Balance end of year	\$ <u>978,710</u>	\$ <u>24,812</u>	\$ <u>1,003,522</u>	\$ <u>464,722</u>	\$ <u>434,722</u>	\$ <u>568,800</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

Governmental Funds			
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 3,971,424	\$ 3,244	\$ 3,974,668
Expenditures	3,794,402	(56,881)	3,737,521
Net	177,022	60,125	237,147
Beginning fund balances	801,688	(339,620)	462,068
Ending fund balances	<u>\$ 978,710</u>	<u>\$ (279,495)</u>	<u>\$ 699,215</u>
Proprietary Funds			
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 258,002	\$ 7,088	\$ 265,090
Expenses	236,205	41,541	277,746
Net	21,797	(34,453)	(12,656)
Beginning net assets	3,015	(30)	2,985
Ending net assets	<u>\$ 24,812</u>	<u>\$ (34,483)</u>	<u>\$ (9,671)</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$30,000.

Other Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 64,984	\$ 89,191	\$ -	\$ 154,175
Receivables:				
Property tax:				
Current year	-	-	1,680	1,680
Succeeding year	27,105	-	77,315	104,420
Total assets	<u>\$ 92,089</u>	<u>\$ 89,191</u>	<u>\$ 78,995</u>	<u>\$ 260,275</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 683	\$ -	\$ 683
Interfund payable	-	-	28,905	28,905
Deferred revenue:				
Succeeding year property tax	27,105	-	77,315	104,420
Total liabilities	<u>27,105</u>	<u>683</u>	<u>106,220</u>	<u>134,008</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	64,984	88,508	(27,225)	126,267
Total liabilities and fund equity	<u>\$ 92,089</u>	<u>\$ 89,191</u>	<u>\$ 78,995</u>	<u>\$ 260,275</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ -	\$ -	\$ 88,100	\$ -	\$ 88,100
Other	-	140,105	-	-	140,105
Total revenues	-	140,105	88,100	-	228,205
Expenditures:					
Current:					
Instruction:					
Regular instruction	10,765	-	-	-	10,765
Other instruction	-	128,628	-	-	128,628
Support services:					
Administration services	58,086	-	-	-	58,086
Operation and maintenance of plant services	-	-	1,633	-	1,633
Other expenditures:					
Facilities acquisition	-	-	24,953	-	24,953
Long term debt:					
Principal	-	-	-	23,615	23,615
Interst and fiscal charges	-	-	-	3,255	3,255
Total expenditures	68,851	128,628	26,586	26,870	250,935
Excess (deficiency) of revenues over (under) expenditures	(68,851)	11,477	61,514	(26,870)	(22,730)
Other financing sources:					
Interfund transfers in	-	-	-	26,870	26,870
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(68,851)	11,477	61,514	-	4,140
Fund balances beginning of year	133,835	77,031	(88,739)	-	122,127
Fund balances end of year	\$ 64,984	\$ 88,508	\$ (27,225)	\$ -	\$ 126,267

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

June 30, 2004

	School Nutrition	Pre- kindergarten	Total
Assets			
Cash and cash equivalents	\$ 5,758	\$ 300	\$ 6,058
Accounts receivable	2,211	-	2,211
Inventories	6,635	-	6,635
Capital assets, net of accumulated depreciation	8,564	-	8,564
Total assets	<u>\$ 23,168</u>	<u>\$ 300</u>	<u>\$ 23,468</u>
Liabilities			
Salaries and benefits payable	\$ 10,023	\$ -	\$ 10,023
Deferred revenue	1,711	-	1,711
	<u>11,734</u>	<u>-</u>	<u>11,734</u>
Net assets			
Invested in capital assets	8,564	-	8,564
Unrestricted	2,870	300	3,170
Total net assets	<u>\$ 11,434</u>	<u>\$ 300</u>	<u>\$ 11,734</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2004

	School Nutrition	Pre- kindergarten	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 95,366	\$ 15,451	\$ 110,817
Operating expenses:			
Non-instructional programs:			
Food and community service operations:			
Salaries	56,655	15,357	72,012
Benefits	6,825	-	6,825
Purchased services	413	-	413
Supplies	81,775	-	81,775
Depreciation	3,427	-	3,427
Other	1,837	-	1,837
Total operating expenses	150,932	15,357	166,289
Operating income (loss)	(55,566)	94	(55,472)
Non-operating revenues:			
Interest on investments	63	-	63
State sources	2,423	-	2,423
Federal sources	61,735	-	61,735
Total non-operating revenues	64,221	-	64,221
Change in net assets	8,655	94	8,749
Net assets beginning of year	2,779	206	2,985
Net assets end of year	\$ 11,434	\$ 300	\$ 11,734

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2004

	School Nutrition	Pre- kindergarten	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 91,774	\$ -	\$ 91,774
Cash received from miscellaneous operating activities	3,092	15,451	18,543
Cash payments to employees for services	(71,357)	(16,563)	(87,920)
Cash payments to suppliers for goods or services	(71,264)	-	(71,264)
Net cash used in operating activities	(47,755)	(1,112)	(48,867)
Cash flows from non-capital financial activities:			
State grants received	2,423	-	2,423
Federal grants received	49,424	-	49,424
Net cash provided by non-capital financial activities	51,847	-	51,847
Cash flows from investing activities:			
Interest on investments	63	-	63
Net increase (decrease) in cash and cash equivalents	4,155	(1,112)	3,043
Cash and cash equivalents at beginning of year	1,603	1,412	3,015
Cash and cash equivalents at end of year	\$ <u>5,758</u>	\$ <u>300</u>	\$ <u>6,058</u>
Reconciliaton of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (55,566)	\$ 94	\$ (55,472)
Adjustments to reconcile operating income (loss) to net cash used in operating activities			
Depreciation	3,427	-	3,427
Commodities used	12,311	-	12,311
(Increase) in accounts receivable	(2,211)	-	(2,211)
Decrease in inventories	450	-	450
(Decrease) in interfund payable	(8,007)	(1,206)	(9,213)
Increase in salaries and benefits payable	130	-	130
Increase in deferred revenue	1,711	-	1,711
Net cash used in operating activities	\$ <u>(47,755)</u>	\$ <u>(1,112)</u>	\$ <u>(48,867)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received \$12,311 of federal commodities.

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ (262)	\$ 458	\$ 196	\$ -
Vocal Music	-	4,287	4,287	-
Musical	-	1,895	1,895	-
Band/Choir Fundraiser	213	7,964	7,500	677
Instrumental Music	-	2,542	2,542	-
Choir Fees	1,405	158	368	1,195
Instrumental Rental	2,756	259	293	2,722
Band Uniforms	(347)	-	-	(347)
Color Guard	(173)	70	-	(103)
Summer Weight Program	1,619	-	345	1,274
Athletic Gate Receipts	(879)	32,621	31,742	-
Athletic Pop Sales	3,235	642	-	3,877
Golf	-	-	10	(10)
District Football	143	-	-	143
Baseball	-	-	217	(217)
Wrestling	(430)	430	-	-
Softball	-	-	356	(356)
Computer Software	1,601	-	1,405	196
KQEL	34	-	-	34
Conference Leadership	149	-	-	149
Library Book Fair	2,690	6,040	7,252	1,478
Pictures	3,284	212	-	3,496
Playground	1,035	-	-	1,035
Ice Cream Machine	(2,012)	2,424	1,599	(1,187)
Project Stretch	10	-	-	10
Middle School Publications	147	-	-	147
Cheerleading	(1,063)	12	-	(1,051)
Class of 2000	785	-	50	735
Class of 2001	1,767	-	-	1,767
Class of 2002	711	-	-	711
Class of 2003	1,047	25	1,013	59
Class of 2004	1,948	1,380	1,273	2,055
Class of 2005	2,533	3,093	3,248	2,378
Class of 2006	2,582	942	-	3,524
Class of 2007	907	7,566	6,991	1,482
Class of 2008	3,447	7,482	9,629	1,300
Class of 2009	1,331	5,860	3,627	3,564
Class of 2010	-	138	(846)	984
FFA	5,628	8,970	7,806	6,792
MOC	615	-	-	615
National Honor Society	826	1,677	1,199	1,304

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Spanish Club	\$ 19	\$ -	\$ -	\$ 19
Student Council	2,399	3,489	2,526	3,362
Renaissance Club	197	-	-	197
Art Club	1,959	3,520	2,896	2,583
Foods Club	84	158	166	76
Student Wellness	18	-	-	18
MS Cheerleading	189	-	-	189
MS Student Council	272	272	200	344
Grandparents' Day	43	-	-	43
Elementary Pictures	889	1,392	742	1,539
School Cents	1,187	10,601	778	11,010
Student Projects	870	99	60	909
Childcare	5,822	-	5,822	-
Greenhouse	3,391	539	832	3,098
Yearbook	(8,639)	5,262	6,140	(9,517)
Pep Bus	335	-	-	335
Interest	23,541	892	1,435	22,998
General Courtesy Account	4,693	3,987	3,995	4,685
Football Cheerleading	261	1,985	1,491	755
Basketball Cheerleading	(130)	1,207	1,145	(68)
Wrestling Cheerleading	257	784	788	253
Sassmeisters	1,981	7,094	5,087	3,988
SODA	111	-	-	111
CSB Student Projects	-	250	-	250
Drivers Education	-	400	400	-
Variety Show	-	1,027	128	899
Total	\$ 77,031	\$ 140,105	\$ 128,628	\$ 88,508

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,139,440	\$ 1,121,353	\$ 1,070,451	\$ 1,011,483
Tuition	150,333	148,808	101,604	91,261
Other	239,620	219,217	279,813	252,221
Intermediate sources	13,206	36,047	10,489	24,471
State sources	2,279,041	2,218,039	2,167,754	2,170,624
Federal sources	153,028	91,349	59,779	49,345
Total revenues	<u>\$ 3,974,668</u>	<u>\$ 3,834,813</u>	<u>\$ 3,689,890</u>	<u>\$ 3,599,405</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,543,750	\$ 1,559,918	\$ 1,527,799	\$ 1,481,623
Special instruction	543,154	528,520	449,451	336,633
Other instruction	316,959	349,786	332,873	299,777
Support services:				
Student services	126,155	120,522	122,422	133,775
Instructional staff services	117,756	144,488	113,814	126,061
Administration services	514,472	502,606	506,561	554,777
Operation and maintenance of plant services	254,197	245,129	259,555	383,394
Transportation services	122,707	242,668	135,236	151,526
Other expenditures:				
Facilities acquisition	24,953	-	126,590	-
Long-term debt:				
Principal	23,615	14,858	14,088	13,357
Interest and fiscal charges	3,255	605	1,375	2,106
AEA flowthrough	146,548	152,747	153,263	153,883
Total expenditures	<u>\$ 3,737,521</u>	<u>\$ 3,861,847</u>	<u>\$ 3,743,027</u>	<u>\$ 3,636,912</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Central City Community School District:

We have audited the financial statements of Central City Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Central City Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Central City Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-K-04 and II-L-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central City Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04, I-B-04, I-C-04, I-D-04, I-E-04 and I-F-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central City Community School District and other parties to whom Central City Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central City Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 17, 2004

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank deposits, bank reconciliations, signing and distributing of checks and the posting of cash journals are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement as deemed necessary.

Conclusion – Response accepted.

- I-B-04 Fundraisers – We noted that fundraisers of student organizations are not approved by the administration. Also, the control procedures over fundraising activities are very lax.

Recommendation – The District should ensure that all fundraisers are reviewed and approved by the appropriate member of the administration before the event occurs. Also, a listing of the ongoing fundraising activities should be provided to the appropriate accounting personnel. An accounting of the estimated and actual profit and loss of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis.

Response – We will review our procedures regarding fundraising activities and change our procedures as we deem necessary.

Conclusion – Response accepted.

- I-C-04 Disbursement Approval – Out of forty disbursements tested, the Board had not approved three disbursements. The Board does have a written policy regarding payment prior to approval for certain types of expenditures. However, these particular payments were not later formally approved by the Board as the policy requires.

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements. All disbursement should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.”

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-C-04 Disbursement Approval (continued)

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as freight, utilities, postage, salaries and printing, without prior Board approval. In addition, the secretary, upon documentation of approval by the Board President, may issue warrants for other verified bills prior to the Board approval when the Board is not in session. All such bills must then be approved by the Board at the next meeting.

Response – We will review and implement this recommendation.

Conclusion – Response accepted.

I-D-04 Deposits to Bank Account – Out of twenty-one receipts tested, one receipt from the General Fund and one from the Enterprise, School Nutrition Fund were not deposited to the bank on a timely basis.

Recommendation – We recommend deposits be made more often to further safeguard the asset and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum, if daily deposits are not possible.

Response – We will implement procedures to ensure deposits are made on a timely basis.

Conclusion – Response accepted.

I-E-04 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt and one was paid from a statement only with no detail support.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported.

Conclusion – Response accepted.

I-F-04 Gate Admissions - The athletic event gate admissions and change box were not reconciled with prenumbered tickets.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will review our procedures regarding athletic event admissions and change our procedures as we deem necessary.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-G-04 Payroll Timesheets – We noted that hourly employees do not fill out a timesheet unless they have overtime or extra pay. The District does not have any way to monitor the total hours worked required by the contract.

Recommendation – All hourly employees should fill out timesheets for their hours worked. The District should monitor the hours worked to ensure that the contracted hours have actually been worked by each employee. This monitoring should be documented by having someone authorize the timesheets by initialing or putting their signature on the time sheet.

Response – We will review our payroll procedures and change our procedures as we deem necessary.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amount approved for City State Bank was exceeded during the year and by \$144,079 at year end.
- Recommendation – A new resolution should be approved in amounts sufficient to cover anticipated deposits for all depositories.
- Response – We will approve a new resolution.
- Conclusion – Response accepted.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – Except as previously mentioned in comment I-C-04, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely. However, we noted significant deficiencies in the amounts reported in the Enterprise, ABC Childcare Fund.
- Recommendation – The District should report the difference in the Enterprise, ABC Childcare Fund as a net auditor’s adjustment to beginning balance on the Certified Annual Report for the year ending June 30, 2005.
- Response – We will make the appropriate adjustment on next years Certified Annual Report.
- Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

- II-K-04 Financial Condition – The District had an unreserved, undesignated fund deficit in the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund of \$27,225 and a net assets deficit in the Enterprise, ABC Childcare Fund of \$21,405 as of June 30, 2004. In addition, the Special Revenue, Student Activity Fund had several deficit balances within the group of single activity accounts.

Recommendation – The District needs to explore alternatives to restore the funds to a sound financial condition. Each Student Activity account should be self-supporting to the extent possible. An organization should not continually be allowed to expend more money than it generates. The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate these deficits.

Response – We are working on this.

Conclusion – Response accepted.

- II-L-04 Student Activity Fund – We noted balances and transactions being recorded through the Special Revenue, Student Activity Fund such as fees and daycare that would more appropriately be accounted for in the General Fund or an Enterprise Fund.

Recommendation – The Student Activity Fund is to be used to account for money received from student related activities such as admission, activity fees, student dues, student fundraising events, or other student related cocurricular activities as stated in the administrative rules of the Department of Education.

Response – We will review these accounts and transfer items to more appropriate funds. We will look at the remaining accounts and determine which fund would be more appropriate for them.

Conclusion – Response accepted.

- II-M-04 Travel Allowance – We noted that an employee receives a flat dollar travel allowance but the payments did not go through the District's payroll process.

Recommendation – All flat dollar travel allowances should go through the payroll process with the appropriate taxes withheld. Alternatively, the District could switch to a supported plan where the employee would be reimbursed for actual mileage reported.

Response – We will correct our procedures for travel allowances.

Conclusion – Response accepted.

- II-N-04 Nutrition Fund Records – The Enterprise, School Nutrition Fund records do not provide a way to track lunch, breakfast and ala carte revenues separately.

Recommendation – The District should change the School Nutrition Fund recordkeeping so that student lunch, student breakfast, ala carte and adult sales revenues are recorded separately, in accordance with Department of Education guidelines.

Response – We will record lunch, breakfast, and ala carte revenues separately in the future.

Conclusion – Response accepted.

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